

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:900
ANSWERED ON:17.08.2007
BANK LOANS
Masood Shri Rasheed

Will the Minister of FINANCE be pleased to state:

- (a) whether banks trap customers into taking loans by offering attractive schemes but show reluctance in providing information on the fineprint of the schemes when asked by the customers;
- (b) if so, whether this has resulted in non-payment of loans by the customers;
- (c) whether the Government has assessed the loopholes in the matter of non-repayment of bank loans; and
- (d) if so, the measures taken/being taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (d) : Reserve Bank of India (RBI) guidelines on 'Fair Practice Code for Lenders' issued in May 2005, and subsequently revised in March 6, 2007, inter alia, stipulate that the lender should convey to the borrower the credit limit along with the terms and conditions thereof and keep the borrower's acceptance of these terms and conditions, given with his full knowledge, on record. Terms and conditions and other caveats governing credit facilities given by banks/financial institutions, arrived at after negotiation by lending institution and the borrower, should be reduced in writing and duly certified by the authorized official. A copy of loan agreement along with a copy each of all enclosures quoted in the loan agreement should be furnished to the borrower.

(b) & (c): RBI has no information in this regard.